



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

March 17, 2006

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Le Grand, Iowa.

The City's receipts totaled \$716,325 for the year ended June 30, 2005. The receipts included \$104,380 in property tax, \$225,613 from charges for service, \$125,952 from operating grants, contributions and restricted interest, \$172,720 from capital grants, contributions and restricted interest, \$71,959 from local option sales tax and \$15,701 from other general receipts.

Disbursements for the year totaled \$665,071, and included \$172,720 for capital projects, \$80,170 for public safety and \$73,181 for culture and recreation. Also, disbursements for business type activities totaled \$220,084.

A copy of the report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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CITY OF LE GRAND
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2005

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	19
Notes to Financial Statements		20-24
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		26-27
Notes to Required Supplementary Information – Budgetary Reporting		28
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Indebtedness	1	30-31
Bond Maturities	2	32
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		33-34
Schedule of Findings		35-38
Staff		39

City of Le Grand

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mary Lou Loerwald	Mayor	Resigned
Steve Ryan (Appointed)	Mayor	Nov 2005
Mack German	Mayor Pro Tem	Jan 2006
Vern Crookshank	Council Member	Resigned
Shirley Wilson (Appointed)	Council Member	Nov 2005
Jim Lovig	Council Member	Jan 2006
Burt Chaska	Council Member	Jan 2008
Amy Weeks	Council Member	Jan 2008
Cheryl R. Culver	City Clerk	Indefinite
Tracy Chaska	Utility Clerk	Indefinite
Curtis A. Ward	Attorney	Indefinite

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of LeGrand, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of LeGrand's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2004.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2004, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of LeGrand as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

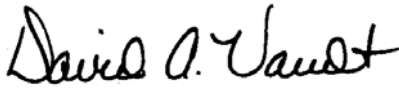
As described in Note 8, during the year ended June 30, 2005, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2005 on our consideration of the City of LeGrand's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts

and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of LeGrand's basic financial statements. Other supplementary information included in Schedules 1 and 2 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2004, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 2, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Le Grand provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, and since the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2005 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased by approximately \$53,000, due primarily to an overall decrease in disbursements.
- The cash basis net assets of the City's business type activities decreased insignificantly by approximately \$1,600.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements, and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information that helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user fees and related charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, and 3) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

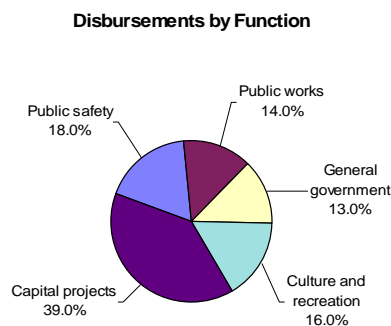
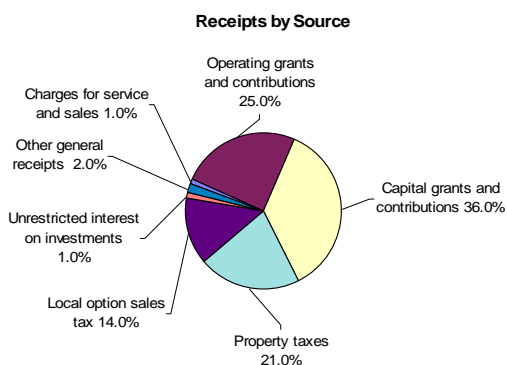
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer operations. Water and sewer are considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from \$365,227 to \$418,041. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	
	Year ended June 30, 2005
Receipts:	
Program receipts:	
Charges for service	\$ 7
Operating grants, contributions and restricted interest	126
Capital grants, contributions and restricted interest	173
General receipts:	
Property tax	104
Local option sales tax	72
Unrestricted interest on investments	7
Other general receipts	9
Total receipts	<u>498</u>
Disbursements:	
Public safety	80
Public works	61
Culture and recreation	73
General government	58
Capital projects	173
Total disbursements	<u>445</u>
Increase in cash basis net assets	53
Cash basis net assets beginning of year	<u>365</u>
Cash basis net assets end of year	<u>\$ 418</u>



The cash basis net assets increased by approximately \$53,000, due primarily to an overall decrease in disbursements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	
	Year ended June 30, 2005
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 132
Sewer	86
Total receipts	<u>218</u>
Disbursements:	
Water	144
Sewer	76
Total disbursements	<u>220</u>
Increase in cash basis net assets	(2)
Cash basis net assets beginning of year	<u>390</u>
Cash basis net assets end of year	<u><u>\$ 388</u></u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Le Grand completed the year, its governmental funds reported a combined fund balance of \$418,041, an increase of approximately \$53,000 over the June 30, 2004 balance of \$365,227. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$37,611 from the prior year to a year-end balance of \$256,131. The increase was due in part to the transfer in of local option sales tax.
- The Road Use Tax Fund cash balance increased \$16,061 to \$87,099 during the fiscal year because the City's actual costs for street projects were less than amounts budgeted.
- The Local Option Sales Tax Fund cash balance decreased \$7,957 to \$62,931, which was not considered a significant change.
- The Capital Projects Fund received and disbursed \$172,720 of a \$225,000 Community Development Block Grant (CDBG) for the Central Iowa Water Association permanent water connection.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$12,269 to \$179,563, which was not considered a significant change.
- The Sewer Fund cash balance increased by \$10,709 to \$208,448, which was not considered a significant change.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The amendments were approved on May 23, 2005 and June 14, 2005 and resulted in an increase in operating disbursements related primarily to capital projects of approximately \$173,000 for the rural water connection project. The City received a CDBG grant from the Iowa Department of Economic Development to pay for the additional costs.

DEBT ADMINISTRATION

At June 30, 2005, the City had \$201,000 in sewer revenue bonds outstanding compared to \$225,000 last year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Le Grand's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and fees charged for various City activities. The City's fiscal year 2006 assessed value decreased less than 1%, or \$29,000, from the fiscal year 2005 level.

The proposed fiscal year 2006 budget includes total receipts of \$721,402 and disbursements of \$738,795.

The proposed FY2006 levy is \$8.10 per \$1,000 of taxable property valuation, which is unchanged from FY2005.

These parameters were taken into account when adopting the budget for FY2006.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cheryl Culver, City Clerk, P.O. Box 430, W. Main Street, Le Grand, Iowa 50142-0430.

City of Le Grand

Basic Financial Statements

City of Le Grand

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2005

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 80,170	5,380	29,840	-
Public works	60,889	-	73,418	-
Culture and recreation	73,181	1,019	17,694	-
General government	58,027	690	5,000	-
Capital projects	172,720	-	-	172,720
Total governmental activities	444,987	7,089	125,952	172,720
Business type activities:				
Water	144,245	131,976	-	-
Sewer	75,839	86,548	-	-
Total business type activities	220,084	218,524	-	-
Total	\$ 665,071	225,613	125,952	172,720
General Receipts:				
Property tax levied for general purposes				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Local option sales tax				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(44,950)	-	(44,950)
12,529	-	12,529
(54,468)	-	(54,468)
(52,337)	-	(52,337)
-	-	-
(139,226)	-	(139,226)
-	(12,269)	(12,269)
-	10,709	10,709
-	(1,560)	(1,560)
(139,226)	(1,560)	(140,786)
104,380	-	104,380
71,959	-	71,959
6,821	-	6,821
8,880	-	8,880
192,040	-	192,040
52,814	(1,560)	51,254
365,227	389,571	754,798
\$ 418,041	388,011	806,052
\$ 87,099	-	87,099
62,931	-	62,931
-	13,486	13,486
11,880	-	11,880
256,131	374,525	630,656
\$ 418,041	388,011	806,052

City of Le Grand

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2005

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 102,717	-	-
Other city tax	1,664	-	71,959
Licenses and permits	2,216	-	-
Use of money and property	11,820	-	-
Intergovernmental	26,111	73,418	-
Charges for service	223	-	-
Miscellaneous	21,907	-	-
Total receipts	166,658	73,418	71,959
Disbursements:			
Operating:			
Public safety	74,223	-	-
Public works	3,532	57,357	-
Culture and recreation	73,181	-	-
General government	58,027	-	-
Capital projects	-	-	-
Total disbursements	208,963	57,357	-
Excess (deficiency) of receipts over (under) disbursements	(42,305)	16,061	71,959
Other financing sources (uses):			
Operating transfers in	79,916	-	-
Operating transfers out	-	-	(79,916)
Total other financing sources (uses)	79,916	-	(79,916)
Net change in cash balances	37,611	16,061	(7,957)
Cash balances beginning of year	218,520	71,038	70,888
Cash balances end of year	\$ 256,131	87,099	62,931
Cash Basis Fund Balances			
Unreserved:			
General fund	\$ 256,131	-	-
Special revenue funds	-	87,099	62,931
Total cash basis fund balances	\$ 256,131	87,099	62,931

See notes to financial statements.

Capital Projects	Nonmajor		Total
	Le Grand Firefighter's/ EMS Association		
-	-		102,717
-	-		73,623
-	-		2,216
-	-		11,820
172,720	-		272,249
-	-		223
-	13,046		34,953
172,720	13,046		497,801
-	5,947		80,170
-	-		60,889
-	-		73,181
-	-		58,027
172,720	-		172,720
172,720	5,947		444,987
-	7,099		52,814
-	-		79,916
-	-		(79,916)
-	-		-
-	7,099		52,814
-	4,781		365,227
-	11,880		418,041
-	-		256,131
-	11,880		161,910
-	11,880		418,041

City of Le Grand

City of Le Grand

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Proprietary Fund

As of and for the year ended June 30, 2005

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 131,976	86,548	218,524
Operating disbursements:			
Business type activities	144,245	40,782	185,027
Excess (deficiency) of operating receipts over (under) operating disbursements	(12,269)	45,766	33,497
Non-operating disbursements:			
Debt service	-	(35,057)	(35,057)
Net change in cash balances	(12,269)	10,709	(1,560)
Cash balances beginning of year	191,832	197,739	389,571
Cash balances end of year	\$ 179,563	208,448	388,011
Cash Basis Fund Balances			
Reserved for debt service	\$ -	13,486	13,486
Unreserved	179,563	194,962	374,525
Total cash basis fund balances	\$ 179,563	208,448	388,011

See notes to financial statements.

City of Le Grand

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The City of Le Grand is a political subdivision of the State of Iowa located in Marshall and Tama Counties. It was first incorporated in 1891 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Le Grand has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has one component unit which meets the Governmental Accounting Standards Board criteria.

Blended Component Unit

The Le Grand Firefighter's/EMS Association, Inc. is separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The Le Grand Firefighter's/EMS Association, Inc. has been established pursuant to Chapter 504A of the Code of Iowa for the purpose of assisting the Le Grand Volunteer Fire Department and the Le Grand EMS volunteers.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Marshall County Assessor's Conference Board, Marshall County Emergency Management Commission, Marshall County Joint E911 Service Board and the Marshall County Solid Waste Management Commission.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City’s nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax and its uses.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Le Grand maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceed the amount budgeted in the capital projects function.

(2) Cash

The City's deposits in the local bank at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bonds Payable

Annual debt service requirements to maturity for the revenue bonds are as follows:

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2006	\$ 25,000	9,777
2007	26,000	8,561
2008	27,000	7,296
2009	29,000	5,983
2010	30,000	4,572
2011 - 2012	64,000	4,718
Total	\$ 201,000	40,907

The resolution providing for the issuance of the revenue bonds includes the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) Additional monthly transfers in an amount equal to the amount required to be deposited into the sinking account shall be made to the sewer reserve account until specific minimum balances have been accumulated. This account is restricted for the purpose of paying principal at maturity or interest on the bonds in the event funds are not available in the sinking account. As of June 30, 2005, this account has not been established and the required transfers have not been made as required by the Sewer Bond Resolution.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2005 was \$6,308, equal to the required contribution.

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 79,916

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(6) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the past fiscal year.

(7) Subsequent Event

In September 2005, the City entered into a contract for \$66,088 for the Sheri Street Water Project. The project will be paid with local City sources as the work is completed.

(8) Accounting Change

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2005. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Implementation of these standards had no effect on the beginning balances of the City.

Required Supplementary Information

City of Le Grand
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 102,717	-	-
Other city tax	73,623	-	-
Licenses and permits	2,216	-	-
Use of money and property	11,820	-	-
Intergovernmental	272,249	-	-
Charges for service	223	218,524	-
Miscellaneous	34,953	-	13,046
Total receipts	497,801	218,524	13,046
Disbursements:			
Public safety	80,170	-	5,947
Public works	60,889	-	-
Culture and recreation	73,181	-	-
General government	58,027	-	-
Debt service	-	-	-
Capital projects	172,720	-	-
Business type activities	-	220,084	-
Total disbursements	444,987	220,084	5,947
Excess (deficiency) of receipts over (under) disbursements	52,814	(1,560)	7,099
Other financing sources, net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	52,814	(1,560)	7,099
Balances beginning of year	365,227	389,571	4,781
Balances end of year	\$ 418,041	388,011	11,880

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
102,717	101,008	101,008	1,709
73,623	63,000	63,000	10,623
2,216	600	600	1,616
11,820	12,000	12,000	(180)
272,249	99,952	99,952	172,297
218,747	209,982	209,982	8,765
21,907	14,450	14,450	7,457
<u>703,279</u>	<u>500,992</u>	<u>500,992</u>	<u>202,287</u>
74,223	57,335	80,864	6,641
60,889	90,745	90,745	29,856
73,181	85,007	85,007	11,826
58,027	63,116	63,116	5,089
-	-	173,185	173,185
172,720	-	-	(172,720)
220,084	266,494	266,494	46,410
<u>659,124</u>	<u>562,697</u>	<u>759,411</u>	<u>100,287</u>
44,155	(61,705)	(258,419)	302,574
-	300	175,586	(175,586)
44,155	(61,405)	(82,833)	126,988
750,017	563,074	563,074	186,943
<u>794,172</u>	<u>501,669</u>	<u>480,241</u>	<u>313,931</u>

City of Le Grand

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$196,714. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the capital projects function.

Other Supplementary Information

City of Le Grand
Schedule of Indebtedness
Year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue bonds: Sewer	Dec 1, 1992	4.86%	\$ 500,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 225,000	-	24,000	201,000	10,944

Schedule 2

City of Le Grand

Bond Maturities

June 30, 2005

Year Ending June 30,	Revenue Bonds	
	Interest Rates	Amount
2006	4.86%	\$ 25,000
2007	4.86	26,000
2008	4.86	27,000
2009	4.86	29,000
2010	4.86	30,000
2011	4.86	31,000
2012	4.86	<u>33,000</u>
Total		<u><u>\$201,000</u></u>

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Le Grand, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 2, 2005. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2004. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Le Grand's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Le Grand's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness.

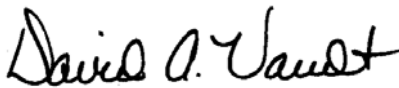
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Le Grand's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

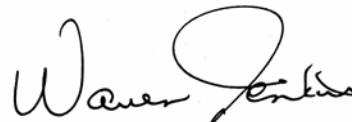
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Le Grand and other parties to whom the City of Le Grand may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Le Grand during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 2, 2005

City of Le Grand
Schedule of Findings
Year ended June 30, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City:
- (1) Accounting system – performing all general accounting functions and having custody of assets.
 - (2) Cash – preparing bank account reconciliations, initiating cash receipts and disbursement functions and handling and recording cash.
 - (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
 - (4) Long term debt – recording and reconciling.
 - (5) Receipts – collecting, depositing, journalizing and posting.
 - (6) Utility receipts – billing, collecting, depositing, posting and reconciling.
 - (7) Disbursements – purchasing, check signing, recording and reconciling.
 - (8) Payroll – preparing and distributing.
 - (9) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.
 - (10) Financial reporting – preparing, reconciling and distributing.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of various reviews should be indicated by initials of the independent reviewer.

Response – We will comply as much as we can.

Conclusion – Response accepted.

City of Le Grand
Schedule of Findings
Year ended June 30, 2005

- (B) Information Systems – The following weaknesses in the City’s computer-based systems were noted:

The City does not have written policies for:

- Requiring time out/log off or screen saver password to protect computer terminals when not in use.
- Requiring passwords to be changed at least every 60 to 90 days.
- Maintaining password privacy and confidentiality.
- Requiring the use of anti-virus programs on computers.
- Personal use of computer equipment and software.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over computer-based systems.

Response – The City will write and approve policies concerning these matters as soon as possible.

Conclusion – Response accepted.

City of Le Grand
Schedule of Findings
Year ended June 30, 2005

Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- (2) Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will try to comply in a more timely manner.

Conclusion – Response accepted.

- (3) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, two were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish minutes as required by Chapter 372.13(6) of the Code of Iowa.

Response – The City will discuss this issue with the newspaper.

Conclusion – Response accepted.

- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Le Grand

Schedule of Findings

Year ended June 30, 2005

- (9) Sewer Revenue Bonds – Although the City posted a portion of the sewer collections directly to the sewer sinking account, the bond resolution requires all sewer collections be posted to the operating account and transfers of appropriate amounts be made to the sewer sinking fund each month.

In addition, the City has not established the sewer reserve account required by the sewer revenue bond resolution.

Recommendation – As required by the sewer revenue bond resolution, the City should make monthly transfers to the sinking account and establish the sewer reserve account.

Response – The City will correct these issues as soon as possible.

Conclusion – Response accepted.

- (10) City Code of Ordinances – The City Code of Ordinances has not been recodified in the last five years as required.

Recommendation – Chapter 380.8(1) (c) of the Code of Iowa requires the City Code of Ordinances be recodified at least once every five years.

Response – This will be completed as soon as possible.

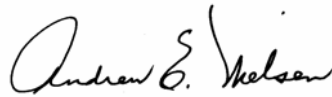
Conclusion – Response accepted.

City of Le Grand

Staff

This audit was performed by:

Michelle M. Meyer, CPA, Manager
John G. Vanis, CGFM, Senior Auditor
Andrew J. Harrigan, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A'.

Andrew E. Nielsen, CPA
Deputy Auditor of State